

VZCZCXRO5678  
OO RUEHSL  
DE RUEHBS #0859/01 1731216  
ZNY CCCCC ZZH  
O 221216Z JUN 09  
FM USEU BRUSSELS  
TO RUEHC/SECSTATE WASHDC IMMEDIATE  
INFO RUEHZG/NATO EU COLLECTIVE PRIORITY  
RUEHAH/AMEMBASSY ASHGABAT PRIORITY  
RUEHTA/AMEMBASSY ASTANA PRIORITY  
RUEHGB/AMEMBASSY BAGHDAD PRIORITY  
RUEHKB/AMEMBASSY BAKU PRIORITY  
RUEHBJ/AMEMBASSY BEIJING PRIORITY  
RUEHEK/AMEMBASSY BISHKEK PRIORITY  
RUEHLM/AMEMBASSY COLOMBO PRIORITY  
RUEHKA/AMEMBASSY DHAKA PRIORITY  
RUEHDBU/AMEMBASSY DUSHANBE PRIORITY  
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY  
RUEHBUL/AMEMBASSY KABUL PRIORITY  
RUEHKT/AMEMBASSY KATHMANDU PRIORITY  
RUEHMO/AMEMBASSY MOSCOW PRIORITY  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY  
RUEHGP/AMEMBASSY SINGAPORE PRIORITY  
RUEHNT/AMEMBASSY TASHKENT PRIORITY  
RUEHKO/AMEMBASSY TOKYO PRIORITY  
RUEHDE/AMCONSUL DUBAI PRIORITY  
RUEHKP/AMCONSUL KARACHI PRIORITY  
RUEHLH/AMCONSUL LAHORE PRIORITY  
RUEHBI/AMCONSUL MUMBAI PRIORITY  
RUSBPW/AMCONSUL PESHAWAR PRIORITY  
RUEHVEN/USMISSION USOSCE PRIORITY  
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY  
RHMFISS/CDR USSOCOM MACDILL AFB FL PRIORITY  
RUEKJCS/CJCS WASHINGTON DC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RUEPVAA/COMJSOC FT BRAGG NC PRIORITY  
RUCNDT/USMISSION USUN NEW YORK PRIORITY

C O N F I D E N T I A L SECTION 01 OF 13 BRUSSELS 000859

SIPDIS

E.O. 12958: DECL: 06/19/2019  
TAGS: [AF](#) [EAGR](#) [ETRD](#) [ETTC](#) [EU](#) [EUN](#) [IN](#) [KDEM](#) [MARR](#) [MOPS](#)  
PK, PREL, SL  
SUBJECT: U.S.-EU EXCHANGES ON SOUTH AND CENTRAL ASIA

REF: A. ISLAMABAD 1218  
[1](#)B. USEU BRUSSELS 362

BRUSSELS 00000859 001.2 OF 013

Classified By: Deputy Political Minister Counselor Mary T. Curtin for  
reason 1.4b/d

[1](#)1. (C) Summary: During the June 8 U.S.-EU meetings on South and Central Asia, SCA Bureau Deputy Assistant Secretary Michael Owen stressed the need to work together to produce internationally credible elections in Afghanistan. The European Commission's James Moran responded the EU would do "whatever we can do"; election day observation would probably be limited to secure areas in the north. Boguslaw Majewski, of the EU Council Secretariat said the Iranians have asked to cooperate with the EU on Afghanistan and asked for U.S. views on cooperating with the Iranians. Owen replied that the U.S. was open to a constructive Iranian role. Preparations for the upcoming EU-Pakistan Summit faced difficulties, with Pakistan shy of substantive discussion of key issues such as terrorism and instead pushing for a Free Trade Agreement which the EU felt could harm its economy. The EU believed that Pakistan would benefit more from an Afghanistan-Pakistan Transit Trade Agreement and other steps toward regional trade liberalization.

[1](#)2. (C) On Sri Lanka, DAS Owen noted that the critical

question in Sri Lanka was whether to focus on accountability over human rights abuses during the successful military campaign or to look forward and focus on humanitarian assistance, resettlement of IDPs, and political reconciliation. The EU officials felt the GOSL must now "win the peace" and the international community should therefore give the GOSL the "benefit of the doubt" within limits. EU's Special Representative for Central Asia Pierre Morel was reasonably upbeat on EU-Central Asia relations. Czech EU Presidency's Jiri Sitler said Central Asian countries are using the Shanghai Cooperation Organization to balance an increasingly assertive Russia. Morel was optimistic about Kazakhstan's upcoming OSCE Chairmanship in Office, however, the EC's Viktor Andres Maldonado expressed concern, declaring that the U.S. and EU would need to exert continued pressure to ensure the OSCE is not weakened by the Kazakh Presidency as "they want to entertain Russian proposals." End Summary

AFGHANISTAN

¶3. (SBU) During his June 8 U.S.-EU meetings on South and Central Asia held in the EU's "Troika" format, DAS Owen told EU officials that the U.S. was focused on the upcoming elections in Afghanistan. The U.S. favored no particular candidate and was working on helping to produce an election with results that would be perceived inside and outside Afghanistan as fair and credible. He outlined U.S. efforts to promote a level playing field for all candidates by: helping to ensure the security of candidates; facilitating access to necessary financial resources; and implementing the new media law that would give all candidates the ability to spread their messages. In this context, the U.S. welcomed the deployment of an EU election monitoring mission and

BRUSSELS 00000859 002.2 OF 013

looked forward to working with it, said Owen.

¶4. (SBU) The U.S. goal was to give Afghans confidence in their government and military so that they would feel secure as the international military presence declined. This was the key to a long-term solution, Owen underlined. In addition to ensuring the success of the upcoming elections, Owen described the remaining five pillars of the new U.S. approach: providing security to the Afghan people; enhancing agricultural production; promoting economic development; improving government services and infrastructure; combating corruption. He highlighted recent progress in the delivery of government services, noting that Kabul now enjoyed electricity almost 24 hours a day. As for the "civilian surge," Owen said that an enhanced U.S. civilian presence was still under discussion, but projected that the number of U.S. civilians in Afghanistan could soon increase significantly, with most of the increase coming outside of Kabul.

¶5. (SBU) Regional cooperation was also a vital element in an Afghanistan solution, Owen stressed. He saluted the EU role in the third Regional Economic Cooperation Conference on Afghanistan (RECCA) which had taken place on May 13-14 in Islamabad (ref A). The U.S. was working to link Afghanistan to both Central Asia and South Asia. This was important in every dimension, from trade and economic development to security. Owen noted that electricity from Central Asia had produced the dramatic increase in electricity in Kabul over the last year. Afghanistan's neighbors could also play a part in producing the additional Afghan national security forces that would be required. For example, the U.S. was in discussions with India on the possibility of India providing police training to Afghanistan, he said.

¶6. (C) Security would be vital to successful elections and coalition members would provide an additional 4,800 troops for the election period, Owen explained. The Czech EU Presidency's COASI Committee Chairman Ludomir Frebort noted that the EU's election observers would also require enhanced security and hoped that NATO would be ready to assist the Afghan national security forces in providing security for these observers. The EU was looking for ways to support the elections and had sent an exploratory mission to Afghanistan to determine the scale and scope of EU assistance. Frebort said the team had identified numerous deficiencies during its recent mission and Afghanistan would have to increase its

efforts if the election were to meet international standards.

#### European Commission Election Observers

¶7. (SBU) The European Commission's (EC) Asia Director James Moran provided additional details on the EC election observer mission which is to be led by retired French General Philippe Morillon. He said that Morillon, who commanded forces in Bosnia in 1992-3, was completing eight years in the European Parliament. He would travel to Afghanistan the following day, Moran explained, to meet with Afghan leaders, the U.S. Ambassador, and ISAF senior officers to plan the operations of the EC monitoring team and coordinate them with other stakeholders. The EC team would do "whatever we can do" said

BRUSSELS 00000859 003.2 OF 013

Moran, starting with the early deployment of a long term observer team that would work with the international community during the period leading up to polling. Moran noted that on a recent trip to Kabul he had heard UNAMA head Kai Eide state that some abuses were taking place. The international community would need to coordinate, compare notes and give messages where necessary.

#### Election Day -- We'll Cover the North

¶8. (C) Moran stated that conditions in Afghanistan were worse than during the 2004-2005 electoral period. "The competition does not look healthy," he noted. Therefore, it would be important in the run-up period to "try to keep people on track." To accomplish this task, the EU would send about 40-50 long term observers to Afghanistan. Moran said that the EC would also try to deploy short term observers to cover the polling on election day. They would be sent to "areas where we can do it," he said, "which means the north and perhaps some other areas."

¶9. (C) The EU would commit about sixty million dollars to these tasks, said Moran. This would be "around the level of what Vice President Biden was looking for during his very successful visit" to the EU on February 11 (ref B). About 35 million Euros would be spent on voter outreach, he specified. Deploying the observers would be very expensive, he stressed.

#### Regional Cooperation in South Asia

¶10. (C) Turning to the regional situation, Moran, voiced agreement with the U.S. approach. The EC would be willing to provide political, financial, technical support to U.S.-led efforts to create a new framework to boost trade within South Asia. He described the U.S.-led effort to broker an Afghanistan-Pakistan Transit Trade Agreement as "absolutely fundamental" to finding a solution to the conflict. Moran posited that the "real attitude of Pakistan" would become apparent during negotiations on the agreement. He revealed "serious doubts" as to whether Pakistan was really committed to the issue. Moran asserted that it was "obvious" that Pakistan was dragging its feet and opined that India also seemed to have doubts whether it wanted to foster intra-regional trade. He highlighted a positive development in the recent creation of a small cell in Afghanistan's Ministry of Foreign Affairs that was dedicated to promoting regional trade and cooperation.

#### India, Iran and Regional Cooperation

¶11. (SBU) DAS Owen acknowledged that the progress on regional economic cooperation was so far modest, but felt it was a positive step. The role of India in fostering regional cooperation could be very important and the U.S. was interested in new ideas on how we could work with the EU to engage India.

¶12. (C) Boguslaw Majewski, head of the EU Council Secretariat's Asia-Oceania Unit disclosed that Iranian diplomats had approached the EU seeking an avenue to work with Brussels on Afghanistan. He asked whether the U.S. had considered how much scope existed for cooperation with the Iranians. Owen noted that the precise lines of U.S. policy

BRUSSELS 00000859 004.2 OF 013

were not fully defined, but our broad approach was to remain

open to a constructive Iranian role in the region. The U.S. was mindful of long-standing Iranian ties to India. Czech Presidency's COASI chairman Lubomir Frebort noted that Iran had pledged 300 million dollars at the Pakistan donors' conference in Tokyo in April.

#### Civilian Police

¶13. (SBU) Frebort said the EU had decided in late 2008 to double the number of civilian police that were deployed in Afghanistan as part of the EU's EUPOL mission and hoped to have 400 police stationed in Afghanistan by this summer. There was also the potential for EU member states to deploy additional police forces to Afghanistan via a European Gendarmerie Force deployment. He explained that the European Gendarmerie Force (EGF) was composed of seven EU member states, but participation from other countries would be welcomed, he specified. An EGF deployment would rely upon existing command and control and logistics structures, he said, probably as an element of the NATO Training Mission - Afghanistan. It would closely coordinate its activities with the International Police Cooperation Board.

¶14. (SBU) Swedish Foreign Ministry Asia Director Klas Molin said that Afghanistan and Pakistan would be a strong Swedish priority, with FM Carl Bildt deeply involved. The focus now was elections, but Sweden would continue to look for areas where the EU could make a difference. Sweden would take a very frank and realistic approach, he said, stressing an increased role for the UN's Assistance Mission in Afghanistan and trying to ensure that Afghanistan takes ownership and puts an Afghan label on joint work with the international community. Stockholm was devoting considerable thought to the question of aid effectiveness and civilian capacity building. DAS Owen underlined the need to ensure the elections are viewed as credible and to build the capacity of the civilian government. It was important also, he said, to build Afghanistanis' confidence in their ability to perform key governance functions.

¶15. (C) The Czech Presidency's Lubomir Frebort characterized the political situation in Pakistan as "fluid and fragile" as the crisis between former Prime Minister Nawaz Sharif and President Zardari had been averted for the present. Although the pace of high-level EU-Pakistan meetings had been frequent, preparations for the first EU-Pakistan Summit on June 17 remained difficult. The participants list had been drawn up, but the EU was still wrangling with the Pakistanis over the substance, with difficulties agreeing on the outlines of an agenda and Summit communique. The EU wanted the Summit to issue a statement that addressed counterinsurgency, counterterrorism, regional trade, Afghanistan, and India. These issues were all "too sensitive" for Pakistan, said Frebort, and Islamabad would prefer to limit the agenda to: Developments in Pakistan and the EU; EU-Pakistan Relations - Strategic Partnership; and Global Issues.

¶16. (C) Pakistan also "expected" Summit deliverables in the area of trade with an agreement to be signed at the Summit.

BRUSSELS 00000859 005.2 OF 013

Frebort noted that the EU had received indications from the Indians that Delhi was "nervous" about the direction of EU-Pakistan relations. Indian Foreign Minister Krishna had come to Prague the previous week, reported Frebort, in order to learn about the Summit. The EC's Moran said that the EU only held Summits with its Strategic Partners -- U.S., Russia, Brazil, China, South Africa, and India -- so this new ad hoc summit troubled the India and pleased Pakistan. Moran indicated that the EC had significantly increased its involvement in Pakistan, with 485 million of the 1.4 billion dollars pledged in Tokyo coming from the EC. He felt that IDPs could be an area where the EC might still do more.

¶17. (SBU) Moran lamented that trade was proving to be a difficult issue between the EU and Pakistan. Islamabad wanted a Free Trade Agreement largely for political reasons, as Pakistanis were aware that India was negotiating an FTA with the EU. The Commission assessed that Pakistan's economic interests would actually be harmed by such an agreement. The EC was not technically able to create the

kind of Reconstruction Opportunity Zones the U.S. was exploring -- "there would be Geneva consequences" Moran specified -- but DG Trade was working to find alternatives. The EC's Heino Marius noted that Pakistan wanted access to the GSP-Plus system although it did not qualify as Islamabad would need to sign (and implement) certain UN conventions and meet vulnerability criteria. This could be looked at for the future, he commented, but could not provide a quick benefit. Pakistan also sought a WTO waiver, which was not high on the EC's menu of options. Marius stressed that U.S. support would be needed in the WTO if this option was pursued by the EU.

#### Transit Trade the Best Hope for Near Term Progress

¶18. (SBU) Moran concluded that the EU's bilateral options for stimulating Pakistani trade were limited, contrasting the potential benefits to the "dramatic changes in trade output" that could be achieved "very quickly" if restrictions on intra-regional trade were relaxed. Moran was hopeful that the international community would be able to move more effectively promote trade liberalization in the region. Showing uncharacteristic optimism on South Asia, Moran felt that this could be effected very quickly.

¶19. (C) South Asia was the least regionally integrated region in the world, Moran noted. He lamented that the EU effort to provide technical assistance on standards and customs to the secretariat of South Asian Association for Regional Cooperation had been unsuccessful, with repeated implementation delays leading to recession of previously authorized funds. He was hopeful that U.S. leadership on an Afghanistan-Pakistan transit trade agreement could lead to real progress on intra-regional trade that could quickly produce a powerful economic effect.

#### Internally Displaced Persons

¶20. (SBU) Tim Eestermans of the EU Council Secretariat said that the flows of Internally Displaced Persons (IDPs) due to military operations in Pakistan were the largest such movements since the Rwanda crisis. Pakistan was seeking EU

BRUSSELS 00000859 006.2 OF 013

financial assistance for humanitarian operations but refused to utilize the term "Internally Displaced Persons" in connection with the crisis, making cooperation, starting with preparation of a Summit agenda, unnecessarily complicated. Eestermans characterized the humanitarian disaster as a potential "breeding ground for radicalization" if the west was slow to act in support of the IDPs. Islamist welfare organizations and madrassahs would fill the gap, he opined, as they had done after the Kashmir earthquake, and gain popularity as a result. Pakistan remained focused on military actions and gaining access to the affected areas was difficult, but the EU would make a "major effort."

¶21. (SBU) The Commission's Jim Moran commented that the EC was having difficulty spending aid money and implementing programs in the frontier areas that were the focus of EC assistance programs. He was hopeful the EC would have more success in Swat, but was concerned about the potential for militant organizations to take a leading role in disbursing international assistance, as had happened in previous humanitarian crises. DAS Owen noted that we shared these concerns about further radicalization being fostered by militant groups and their allies distributing relief and establishing effective social organizations.

¶22. (C) DAS Owen said that the U.S. also had broader concerns about the stability of the Zardari government. Former Prime Minister Nawaz Sharif was now legally able to run for elected office, but it was unclear whether he was willing to join the government or lend his party's -- the Pakistan Muslim League (Nawaz faction) -- support to the regime. There was also considerable uncertainty as to the possible effects of a decision by Supreme Court Chief Justice Iftikhar Chaudhary to annul the 17th Amendment. The Pakistani people were becoming disillusioned and skeptical of civilian government, as recent polling indicated. This could mark a return to the painful cycle of hope and disillusionment in Pakistani politics that had resulted in previous military takeovers.

¶23. (SBU) With respect to the IDP crisis, Owen felt that an

estimate of two million IDPs seemed reasonably accurate. The U.S. had already pledged 160 million dollars and there was a request for Congress to appropriate an additional 200 million dollars to address the problem. Owen acknowledged that the U.S. faces the same challenges as the EU in effectively disbursing relief and development funds. We had also experienced Pakistani reluctance to use international accepted terminology for its citizens forced from their homes by military operations and the threat of terrorism. The U.S. was working closely with the UN and ICRC and was impressed by the work of these agencies.

¶24. (C) Military capability was another key question, said Owen. As the militants fled toward higher elevations, Pakistan's military would need to be able to pursue them, as well as hold cleared areas. Pakistan's military also required international assistance and the U.S. was trying to facilitate the transfer of MI-17 helicopters to the Pakistan Air Force. The U.S. had four in the inventory that could be provided on a lease basis.

BRUSSELS 00000859 007.2 OF 013

¶25. (SBU) On the economy and trade, Owen described proposals to establish Reconstruction Opportunity Zones that would allow goods manufactured in these areas to have duty-free access to the U.S. market were now before Congress. He noted that the proposals faced some opposition in the United States. There were both philosophical objections and practical concerns that similar efforts elsewhere, such as the African Growth and Opportunity Act, had failed to meet expectations.

Regional Trade and Internal Reform

¶26. (SBU) Owen agreed strongly on the importance of a transit trade agreement and said that the U.S. hoped to emphasize regional economic cooperation and regional integration. Owen considered that Pakistan would have difficulty meeting the third benchmarks of the 7.6 billion dollar standby arrangement with the IMF. Pakistan needed to undertake reforms in electricity policy and tariffs, tax policy reform, and the energy sector. The international community would need to push Pakistan to take difficult decisions. Moran commented that when he first visited Pakistan in 1979, only four percent of Pakistanis paid taxes; after thirty years of progress, just two percent now pay any tax. While the timing was not optimal, Pakistan would eventually have to take these steps.

Frontier Trust Fund

¶27. (C) Moran asked about the U.S. attitudes towards a "Frontier Trust Fund," which he said had been the subject of discussion in the Friends of Pakistan format. Moran felt the Commission could find funds for the Trust Fund and posited that it might be the only viable idea for implementing development assistance in the Federally Administered Tribal Areas. EU member states needed a mechanism like this in order to put money forward, he explained. He wondered why Saudi Arabia had vetoed the idea. Owen responded that the Trust Fund was not one of our priorities at the present as the U.S. was focused on immediate priorities. He agreed that we needed to work toward long-term solutions. The basis for Saudi objections was unclear.

Making the Friends of Pakistan Relevant

¶28. (SBU) Swedish Foreign Ministry Asia Director Molin asserted a requirement to keep the Friends of Pakistan from evolving into a "touring donor conference." The group needed a clear focus. Owen agreed, noting that Pakistan tends to avoid substantive exchanges and instead channels discussion towards requests for assistance. It was therefore important to use available fora continue to push for progress and meaningful exchanges. In this connection, the Council Secretariat's Majewski hoped that the U.S. could help guide the efforts of the EU Special Representative for Afghanistan, who now also had responsibility for Pakistan. Owen responded favorably: SRAP Holbrooke had indicated that he found the increasing number of European special representatives to be a useful trend and planned to work closely with them.

INDIA

¶29. (C) DAS Owen reported that increasingly close U.S.-India

relations should result in a visit by the Secretary to

BRUSSELS 00000859 008.2 OF 013

establish a new U.S.-India strategic dialogue this summer. SRAP Holbrooke was providing regular updates to Indian leaders and encouraging Delhi to play a helpful role in Afghanistan. Owen indicated that the U.S. was receptive to the idea of India playing a role in police training in Afghanistan. Pakistan continued to concentrate the bulk of its military power on the Indian border and India might be able to take actions that would encourage Islamabad to take decisions to shift forces to counterinsurgency tasks elsewhere. This was a sensitive topic that the Indians were reluctant to discuss due to their perception that Pakistan's response to the Mumbai attacks had been inadequate.

¶30. (SBU) Owen noted that the U.S. and India were working to overcome bilateral differences in the areas of climate change and international trade. He touched on the increasing pace of high-level meetings and progress towards new cooperative initiatives in both areas, as in the area of renewable energy. The U.S. was taking a new approach to working with India on Doha and was open to discussion of an India-U.S. Free Trade Agreement, he noted. The U.S.-India nuclear cooperation agreement was an important step, but even in twenty years less than ten percent of India's electricity would come from atomic power. India's plentiful reserves of dirty coal remain the cheapest and easiest option.

¶31. (SBU) Moran noted that the EC had a joint Work Program on Climate Change and Energy which highlighted solar energy and safety aspects of civilian nuclear energy. The post-election reshuffling seemed favorable for bilateral EU-India relations and the EC looked forward to the next round of FTA talks in July, he continued, with a possibility of finalizing the agreement by the EU-India Summit.

¶32. (C) DAS Owen agreed that the recent elections had produced a favorable result and the U.S. was pleased with expanding cooperation from Education and Home Ministries. The U.S. felt that India was also ready to play a larger and more collaborative role in international organizations -- India wanted a UNSC seat and was active in the G-20 and Human Rights Council -- and in the region, where we looked to India to do more with respect to Burma, Nepal and Bangladesh. On Burma, we would like simply to start with dialogue. EU officials felt China had recently been more forthcoming and helpful on Burma than had India. With respect to Afghanistan and Pakistan, stressed Owen, India's position was "absolutely critical."

¶33. (C) Sitler expressed his approval that Manmohan Singh had been able to form a government without including the Communists; this would increase his freedom of action. The EU-India Strategic Partnership remained active, he said, with a review of the EU-India Joint Action Plan and a discussion of ministerial deliverables now underway ahead of the Ministerial Troika on June 29. The next Summit would be held late in the year under the Swedish EU Presidency. The EU was also hopeful that cooperation on regional issues -- Afghanistan, Pakistan, Sri Lanka, and Burma -- could be enhanced. It would also be interesting to discuss China with the Indians, he noted. He asked how the U.S. viewed the

BRUSSELS 00000859 009.2 OF 013

Pakistani response to Mumbai, noting that news of the release of Hafiz Saeed had not been helpful. Moran commented that India did not seem to trust civilians to run Pakistan.

¶34. (C) Owen agreed that the Pakistani Court decision to free Hafiz Saeed had been a negative development but said that Pakistani interlocutors were hopeful that a legal method to maintain Hafiz Saeed in custody would be found. He had not yet been set free. Bilateral India-Pakistan relations had been characterized by some quiet progress behind the scenes, he said, and the U.S. had been able to act as a conduit. For example, Pakistan had requested information from India on the Mumbai attacks and India had responded favorably within -- barely -- Pakistan's 90-day window for

providing the data.

¶35. (C) Owen explained that while PM Manmohan Singh would certainly like to restart the Composite Dialogue, it was politically difficult for India to take such steps without progress from Pakistan on the Mumbai attacks. After Mumbai, Pakistan had seemed ready to share information; but Delhi deemed Islamabad too unreliable to be a partner. Owen responded to EU questions about Kashmir by noting that it was publicly off the table. The U.S. was considering how to foster cooperation on India-Pakistan relations, but Pakistani progress on the post-Mumbai investigations seemed essential. The Composite Dialogue might best be restarted by focusing in issues such as Sir Creek and transborder trade, he said, noting the success of the Muzzafarabad-Srinagar trade and travel route opening.

#### SRI LANKA

¶36. (SBU) With IDP camps in Sri Lanka coming under civilian control, the issues now facing the international community were ensuring access, improving conditions in the camps and encouraging repatriation, said Frebort. A meeting of the co-chairs would be useful, he said, noting that U.S. had indicated that July 7 would be a good date for a co-chairs meeting. Moran noted that framework conditions for reconstruction efforts need to be drawn up locally by the donors. There were questions over sustainability and the conceptual work could not be undertaken until onorshad a clearer idea of the political situation. Should Sri Lanka now be treated as a villain or as a country that had wiped out a terrorist group? Majewski opined that the international community should "cut them some slack" and consider what the GOSL had achieved. Molin said the international community needed to consider how best to convince Rajapaksa to now be magnanimous and make the most of the opportunity. We need to be careful about isolating the Colombo regime and inadvertently creating "another Burma."

¶37. (C) DAS Owen noted that this was a critical question: whether to focus on accountability over human rights abuses committed during the successful military campaign or to look forward to focus on humanitarian assistance, resettlement of IDPs, and political reconciliation. This was a fine balance. Our leverage was limited, he noted, as the U.S. was not a major donor in Sri Lanka. It was therefore important to consider what we need to accomplish in Sri Lanka over the

BRUSSELS 00000859 010.2 OF 013

next few years and determine how best to pursue those goals. The U.S. did not want to see a financial collapse in Sri Lanka, but it a decision on the pending IMF loan to Sri Lanka had not been taken. The GOSL would need space to start reconstruction and reconciliation activities. It was important to marginalize residual LTTE loyalists, such as the Tamil Relief Organization (TRO) and to win over the Tamil diaspora. Moran agreed that the GOSL must now "win the peace" and the international community should therefore give the GOSL the "benefit of the doubt -- but there are limits."

¶38. (C) Owen agreed that access to the IDP camps was improved and resettlement and reconstruction activity would now be major humanitarian challenges. It was important to also emphasize the political dimension and give the Tamil community the sense that have a credible voice in government, said Owen. The GOSL should now be considering how to accomplish reintegration of Tamils, including former paramilitaries and LTTE. While a UN Commission of Inquiry was not necessary, the U.S. would like answers on what took place in the north during recent weeks. As for reconstruction, the U.S. hoped to provide up to 10 million dollars in demining assistance and might also be able to contribute up to 50 million dollars for Sri Lankan IDPs over the next two years, depending upon Congressional budget decisions.

#### NEPAL

¶39. (SBU) A brief discussion of Nepal centered on an exchange of concerns over the political stalemate in Nepal and lack of progress towards reintegration on the former insurgent forces into o the Nepalese armed forces. The European Commission is providing about 9 million dollars to pay the salaries and

housing of these former guerrillas, with an additional 30 million dollars allocated to the Nepal Peace Trust Fund.

#### CENTRAL ASIA

¶40. (C) The EU's Special Representative for Central Asia Pierre Morel reported positively on the recent EU Ministerial Troika meeting with Central Asian Foreign Ministers in Dushanbe. The meetings focused on water issues and Tajikistan. All Central Asian countries had sent Foreign Ministers, except Uzbekistan, which was represented by Deputy FM Ismailov due to President Karimov's travel to Latin America. Morel said the bilateral meetings and plenary session were followed by meetings with Tajikistan's President Rahmonov. Morel said the EU's work was proceeding in the areas of Rule of Law, Education and Water and the environment with "lively activity" in all five Central Asian countries. A forum would be held with the Central Asians in Brussels in September to tackle the impact of the financial crisis in Central Asia and other security issues.

EUSR Morel's approach to the Shanghai Cooperation Organization

¶41. (C) Morel raised the issue of coordination with the Shanghai Cooperation Organization (SCO). Initial contacts had already been made and he planned to pursue frequent, but informal, ad hoc exchanges. The Czech Presidency's Jiri Sitler said he felt the Central Asian countries used the SCO to help balance increasingly assertive Russian influence.

BRUSSELS 00000859 011.2 OF 013

Morel noted in this context, the importance of the fact that the Central Asian countries had not recognized the breakaway "entities" in Georgia.

¶42. (C) DAS Owen agreed that it was fair to characterize Moscow as increasingly assertive in Central Asia. Central Asian states would undoubtedly maintain close relations with Russia; however, they also sought good relations with the U.S. and EU. Russia would play an important role.

#### KAZAKHSTAN

¶43. (C) Morel was optimistic about Kazakhstan, which he felt perceived its future in Europe, rather than Asia. The upcoming OSCE Chairmanship in Office would be, he believed, a catalyst for democratic reform in Kazakhstan, which had lagged in implementing its commitments. DAS Owen noted that the Secretary had a good meeting with the Kazakh Foreign Minister on May 5 in which Afghanistan and regional cooperation were highlighted as well as the implementation of the Madrid Commitments. The U.S. remained skeptical, however, about the government's commitment to reform and was concerned that it would avoid difficult issues as OSCE CiO. Kazakhstan could be a role model for regional integration into Afghanistan and South Asia, said Owen, and it was therefore useful to put Human Rights work in the context of a broader engagement that included regional stability, energy, and markets. Morel noted that the OSCE dimension for Afghanistan would be a key part of the Kazakh agenda as OSCE CiO.

¶44. (C) DAS Owen noted that the U.S. was concerned about the restrictive laws on religious freedom in all five Central Asian countries. Morel replied that when the EU had raised the issue, Foreign Minister Tazhin had responded that the Kazakhs felt threatened by religious extremists and needed to impose controls -- using Scientology as an example of how some EU states had done the same. Kazakhstan's economic crisis put it under increasing pressure from Moscow, said Morel, which sought more bases and more residents. The government had been forced to turn to China for a loan. Owen noted that as Kazakhstan faced the prospect of continued economic stress, the U.S. was encouraged that it appeared to be looking more broadly for foreign involvement, as the need for foreign direct investment from a variety of sources was so clear.

#### European Commission Pessimism on Kazakhstan

¶45. (C) The EC's Viktor Andres Maldonado expressed doubts over Kazakhstan's willingness to change and its approach to the upcoming OSCE Chairmanship. He stressed that the U.S. and EU would need to exert continued pressure to ensure the OSCE is not weakened by the Kazakh Presidency as "they want to entertain Russian proposals." Maldonado said the Kazakhs

"know the words, but don't know what they mean" and wanted to exert control over foreign investment. The EC vision was to try and work around the regime by using the business community, focusing on small and medium enterprises, as a lever for change.

¶46. (C) For energy security, the EU needed Central Asia to be linked to Europe and adhere to a Western model of economic

BRUSSELS 00000859 012.2 OF 013

management that emphasized social responsibility and enforceability of contracts. Maldonado was not interested in fostering links between Central and South Asia. Owen responded that the U.S. was not suggesting the adoption of a south Asian model but the diversification of markets and investment.

#### KYRGYZSTAN

¶47. (C) Morel said that Kyrgyzstan's trends on democracy and human rights did not seem positive, even on fundamental freedoms. The EU had informed Tashkent of its concern over the OSCE observation mission for the Presidential elections, he reported. DAS Owen noted our shared concern over conduct of the presidential election. The U.S. was funding election monitors and observers through the National Democratic Institute which was also engaged in voter education and opinion polling work. We regularly discuss human rights with the Kyrgyz but do not note any positive movement and the new religion law only adds to our concern.

¶48. (C) Water issues also seemed to be a potentially destabilizing factor, Owen noted. Maldonado responded that the EC approach to the water issue was to begin on non-contentious issues like water usage reduction programs and build confidence to tackle the issue, eventually linking water and energy. The upstream countries -- Kyrgyzstan and Tajikistan -- want power in the winter, so they store water through the summer and time their dam releases accordingly. Conversely, the downstream countries need water in the summer for irrigation. This led to political conflict, but upstream countries now seemed to accept the need for a political dialogue.

#### UZBEKISTAN

¶49. (C) Morel noted that Uzbekistan was "on the offensive" and trying to get the EU to take sides in the water dispute. The EU was ready to facilitate discussion, which should stay technical for progress. The EU approach was to emphasize the need for an international study, to try and operationalize good ideas and give them joint ownership and to keep the focus on irrigation. Uzbekistan lost an estimated fifty percent of water through an inefficient irrigation system, said Maldonado. President Karimov had reportedly instructed cotton planting this spring to be cut back by fifty percent over 2008. Owen said the U.S. was interested in playing a constructive role and offered to stay in touch on how we could work together to advance cooperation in this area.

¶50. (C) Morel stated that for the EU, the number one issue with Uzbekistan was human rights and the next EU-Uzbekistan human rights dialogue would shortly take place in Tashkent. He noted that the EU had dropped the visa restrictions in October. DAS Owen noted that U.S. had grave concerns over torture and political prisoners and that child labor continued to be employed in the cotton fields. On the political front, Morel was pleased that Karimov had participated and given strong political support in the Southern Corridor Summit on June 4. Owen noted that the Deputy Secretary had recently useful meetings with Karimov.

#### TURKMENISTAN

BRUSSELS 00000859 013.2 OF 013

¶51. (C) According to Morel, Turkmenistan was becoming an active partner with the EU on energy, narcotics and terrorism. The European Parliament had approved an interim agreement in April 2009 and Morel was hopeful that a Partnership and Cooperation Agreement would eventually be reached. Morel said that according to the ICRC in Geneva there had also been a slight improvement in prison conditions

in Turkmenistan and Uzbekistan. The government seemed to be engaging with Human Rights NGOs, he said, but might retreat if too aggressively targeted. The EU had made progress in its human rights dialogue with Turkmenistan, which had expanded from two hours to eight hours. Morel posited that if Azerbaijan found a way to export gas to the European Union without involving Russia, Turkmenistan would tilt west.

¶52. (C) DAS Owen noted that the U.S. was pleased to observe expanded EU-Turkmenistan cooperation and had no opposition to the idea of a Turkmenistan-India pipeline, provided it was economically viable. He noted that there had been improvements in some aspects of human rights, such as freedom of religion, but other areas, notably civil society, were negative.

#### TAJIKISTAN

¶53. (C) Morel said that the EU's Partnership and Cooperation Agreement with Tajikistan will be complete upon approval by Greece. Owen noted the severe economic crisis in Tajikistan where the U.S. had recently provided 500,000 dollars to help deal with post-flood reconstruction. The U.S. had not been able to support an IMF loan, however, as Dushanbe has yet to take needed economic reforms in areas such as transparency of state-owned companies.

#### DAS Owen's Bilateral Meetings

¶54. (C) Commission Director for Asia James Moran told Owen that he would travel to India the week of June 15 to discuss plans for the next EU-India summit, tentatively scheduled for November, 2009. Owen briefed Moran on Washington's preliminary thinking about a U.S.-India strategic dialogue. On Sri Lanka, Moran noted the size and strength of the Tamil diaspora in Europe and acknowledged the possibility of a backlash by LTTE front groups in Europe to the LTTE's military defeat in Sri Lanka. Moran said that Colombo was not cooperating with the EU's ongoing human rights investigation, which would inform its decision about renewing Sri Lanka's GSP status. In a separate meeting with Owen, Sri Lankan Ambassador to the EU Ravinatha Aryasinha expressed concern that the EU was overplaying its hand regarding Sri Lanka and said he had encouraged key EU officials to recalibrate their relationship with Colombo. Aryasinha asked for USG help in encouraging the EU to designate LTTE front organizations, which he saw as a threat to Europe as well as Sri Lanka.

¶55. (U) SCA DAS Michael Owen cleared this cable.

#### MURRAY